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Chile

Sugar

Sugar Annual

2004

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Report Highlights:
Lower sugar prices and expected expansion of imports due to a significant increase in duty free quotas, sugar beet planted area and production will expand only modestly in MY2004/2005.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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General

Increasing production yields and falling sugar consumption during the last few years and a persistent fall in sugar prices from US$0.60 per Kg (average at consumer level) in 1999 to US$0.51/Kg in 2003 resulted in significantly higher stocks in 2002/2003, which were mainly in the hands of the sugar industry (Iansa). Iansa, the sugar company who effectively has a monopoly position, was able to reduce stocks by contracting for a significantly smaller area of sugar beet plantings in 2003/2004. However, for the 2004/05 season, the industry increased prices paid for sugar beets from US$43.9 to US$45 per ton, which resulted in a moderate increase in planting contracts. In the near future, industry sources expect total sugar beet planted area and domestic sugar production to be even more closely related to the world sugar price level and the constraints on sugar imports (quotas on duty free imports). For example, if world prices fall, domestic production will likely decline even further.

Industry sources report that although total sweetener consumption in Chile has been increasing in the last few years, sugar consumption has been falling as a result of substitution by other sweeteners, like fructose. After a significant increase of over 700 percent in imports of fructose during the previous 4 years, these fell 20 percent in CY2003 when compared to the year before. Industry sources report that demand for HFCS fell, when the beverage manufacurers increased the usage of sugar when IANSA significant reduced its prices. Chile does not produce HFCS and almost all imports come from Argentina. Per capita consumption of sugar is estimated to be close to 35 Kg.

Trade

Chile's sugar imports fell significantly in MY2003/2004, as a result of the high domestic stocks accumulated during the previous two years. Lower production and a significant increase in the duty-free import quota from 60,000 to 105,000MT are expected to increase imports again.

Price Bands

Chile supports its domestic sugar production with a price band system, which has been in place since the mid eighties. The price band system serves as Chile's principal price support tool. It promotes domestic production and discourages imports by setting a minimum import price that is normally higher than both international and Chilean domestic prices. When international prices are below the floor of the price band, a surcharge is applied to all imports based on the lowest quoted international price from the referenced source, in order to bring the CIF prices for the imported commodity up to the price band floor. Rebates, in the form of a reduction from the normal import duty of 6 percent, theoretically also can be given when international prices exceed the ceiling of the band. As a result of WTO case brought by Argentina against Chile's price band system, the GOC published on September 25, 2003, Law 19,897 modifying the old price band system. New ceiling and floor prices were established and the mechanism for fixing the reference price was clarified. The floor price in the case of sugar was fixed at 310-dollar FOB level and the ceiling at 339 dollars FOB for the years 2003 through 2007. Starting in 2008, the floor and ceiling will be adjusted by 2 percent a year. The reference price will be a fixed amount in US dollars per ton.

The floor and ceiling prices for the period of December 2003 through November 2014 are the following:

Values of floor and ceiling prices for the following periods		
Period	Floor Value (US$/MT)	Ceiling Value (US$/MT)
Dec 1, 2003 – Nov 30, 2007	310	339
Dec 1, 2007 – Nov 30, 2008	304	332
Dec 1, 2008 – Nov 30, 2009	298	325
Dec 1, 2009 – Nov 30, 2010	292	319
Dec 1, 2010 – Nov 30, 2011	286	313
Dec 1, 2011 – Nov 30, 2012	269	294
Dec 1, 2012 – Nov 30, 2013	253	276
Dec 1, 2013 – Nov 30, 2014	238	259

The surcharges or reductions for sugar will be determined twelve times for each annual period from Dec 1 through Nov 30th of the following year, by a decree that will be published in the official gazette (Diario Official) at least 5 days prior to the due date. The surcharge or reductions will be applied to the following HTS numbers 1701.1100, 1701.1200, 1701.9100, 1701.9910, 1701.9920 and 1701.9990, cane or beet sugar, with or without colorants and others.

The reference price for sugar will be the average of the daily prices for a calendar month from the 16th day of the month to the 15th day of the following month, at which time the decree will be published. The relevant reference prices used will be from the following markets:

- For raw sugar it will be the New York Exchange contract #11 price.
- For product closest to contract #5 refined sugar on the London Exchange, the relevant market will be FOB Europe.

For refined sugar, the additional duty will be applied to Chilean sugar grades 1 and. For other grades of refined sugar i.e. grades 3, 4 and sub-standard, the additional duty will be increased by an extra 60 percent above these calculated rate for grades 1 and 2. Mixtures containing more than 65 percent sugar content will be subject to the sugar price bands.

The modification to the price band system also introduced a duty free quota of 105,000 MT. Within the total duty free quota, 60,000 MT are for the subheadings 1701.99 "other" which include items 1701.9910, 1701.9920, and 1701.9990. A duty free quota of 30,000 MT corresponds to subheadings 1701.9100 and the remaining 15,000 MT to subheadings 1701.91 and 1701.99. No single importer may obtain more than 20 percent of the duty free quota. The beneficiary of the quota must use the imported sugar or sugar containing product as an input in another food product, which comes under a different tariff heading.

Import quotas are also limited by country of origin:

Country of origin	**Quota of 60,000 MT for the subheadings 1701.99**
Argentina	21,000
Guatemala	16,700
Brazil	9,700
Other	12,600
Other excludes Argentina, Guatemala and Brazil	

Country of origin	Quota of 15,000 MT for subheadings 1701.99 and/or 1701.9100
Bolivia	12,000
Costa Rica	1,500
El Salvador	1,500

The 30,000 MT quota is not assigned to a specific origin.

Duties paid for sugar imports during CY2003 and the first three months of 2004 are shown below:

SUGAR PRICE BAND
REFERENCE PRICES, SPECIFIC SURCHARGE AND TOTAL DUTY PAID
2003-2004

		Refined Sugar (Grade 2)		
Month	Year	Reference price US$ / Ton	Specific Surcharge US$/Ton	Total Duty %
Jan	2003	216.40	106.59	20.58
Feb	2003	229.80	91.31	30.00
Mar	2003	226.50	94.58	43.57
Apr	2003	214.00	88.34	36.53
May	2003	213.40	89.42	34.08
Jun	2003	204.67	98.10	41.58
Jul	2003	204.00	99.18	31.69
Aug	2003	209.00	93.76	43.42
Sep	2003	190.40	114.37	52.39
Oct	2003	178.80	126.30	53.18
Nov	2003	175.80	129.55	58.20
Dec	2003	176.43	142.00	50.03
Average 2003		**203.27**	**106.13**	**30.07**
Jan	2004	192.29	125.00	
Feb	2004	187.55	130.00	
Mar	2004	189.15	128.00	
Average 2004		**189.66**	**127.67**	

If market conditions do not change significantly, using current sugar prices, industry sources estimate that the specific surcharge will stay around US$125 per ton for refined sugar, which combined with the add value adds up to an estimated 60 percent total duty for imports.

Chile has agreed to a MFN rate of 98 percent for sugar.

US – Chile Free Trade Agreement

Duties on sugar products will be lifted in accordance with the provisions of staging category G that reads: “Duties will remain at their base rate during years one through four. Duties will then be reduced by 8.3 percent of the base rate on January 1 of year five, and by 8.3 percent of the base rate each year thereafter through year eight. Beginning January 1 of year nine, duties of these goods will be reduced by 16.7 percent of the base rate annually through year twelve, and will be duty free effective January 1 of year twelve (2015)”.

Preferential tariff treatment for products under the previous paragraph shall be accorded to a quantity of goods equal to the amount of the United States' trade surplus, by volume, from all sources in the following subheadings: HS1701.11, HS1701.12, HS1701.91, and HS1701.99. The United States' trade surplus will be calculated using the most recent annual data available.

The provisions refer to the following tariff lines:
1701.11, 1701.12, 1701.91, 1901.99, 1702.90.20, 1702.90.58, 1702.90.68, 2106.90.46, 2101.90.91 and 2106.90.94.

For sugar containing products, duties on these goods will also be lifted in accordance with provisions of staging category G (see first paragraph).

Preferential tariff treatment for products under the previous paragraph shall be accorded to a quantity of goods equal to the amount of the United States' trade surplus, by volume, from all sources in the following goods: HS1702.20, HS1702.30, HS1702.90, HS1806.10, HS2101.12, HS2101.20 and HS2106.90. The United States' trade surplus will be calculated using the most recent annual data available.

The above-mentioned provision applies to the following tariff lines:
1702.20.28, 1702.30.28, 1702.40.28, 1702.60.28, 1704.90.68, 1704.90.78, 1806.10.15, 1806.10.28, 1806.10.38, 1806.10.55, 1806.10.75, 1806.20.73, 1806.20.77, 1806.20.94, 1806.20.98, 1806.90.39, 1806.90.49, 1806.90.59, 1901.20.25, 1901.20.60, 1901.90.54, 1901.90.58, 2101.12.38, 2101.12.48, 2101.12.58, 2101.20.38, 2101.20.48, 2101.20.58, 2103.90.78, 2106.90.72, 2106.90.76, 2106.90.80 and 2106.90.97.

PSD TABLE

Country	**Chile**						
Commodity	**Sugar Beets**				(1000 HA)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		05/2002		05/2003		05/2004	MM/YYYY
Area Planted	47	47	27	27	0	30	(1000 HA)
Area Harvested	47	47	27	27	0	30	(1000 HA)
Production	3192	3192	1834	1953	0	2300	(1000 MT)
TOTAL SUPPLY	3192	3192	1834	1953	0	2300	(1000 MT)
Utilization for Sugar	3192	3192	1834	1953	0	2300	(1000 MT)
Utilizatn for Alcohol	0	0	0	0	0	0	(1000 MT)
TOTAL UTILIZATION	3192	3192	1834	1953	0	2300	(1000 MT)

PSD TABLE

Country	**Chile**						
Commodity	**Centrifugal Sugar**				(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		04/2002		04/2003		04/2004	MM/YYYY
Beginning Stocks	117	195	216	300	242	235	(1000 MT)
Beet Sugar Production	565	565	475	367	0	390	(1000 MT)
Cane Sugar Production	0	0	0	0	0	0	(1000 MT)
TOTAL Sugar Production	565	565	475	367	0	390	(1000 MT)
Raw Imports	0	0	0	0	0	0	(1000 MT)
Refined Imp.(Raw Val)	184	175	225	118	0	160	(1000 MT)
TOTAL Imports	184	175	225	118	0	160	(1000 MT)
TOTAL SUPPLY	866	935	916	785	242	785	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	0	0	24	0	0	0	(1000 MT)
TOTAL EXPORTS	0	0	24	0	0	0	(1000 MT)
Human Dom. Consumptic	650	635	650	550	0	550	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Disappearance	650	635	650	550	0	550	(1000 MT)
Ending Stocks	216	300	242	235	0	235	(1000 MT)
TOTAL DISTRIBUTION	866	935	916	785	0	785	(1000 MT)

IMPORT TRADE MATRIX

Country	Chile		
Commodity	Centrifugal Sugar		
Time Period	Jan-Dec	Units:	M.T.
Imports for:	2002		**2003**
U.S.	518	U.S.	
Others		Others	
Colombia	68403	Argentina	64067
Argentina	57171	Colombia	61480
Brazil	33863	Brazil	29598
Guatemala	20078	Guatemala	19899
Netherlands	207	Spain	7
Others	1798	Others	1442
Total for Others	181520		176493
Others not Listed	0		0
Grand Total	182038		176493

PRICE TABLE

Country	Chile		
Commodity	Centrifugal Sugar		
Prices in	pesos	per uom	Kgr.
Year	2002	2003	% Change
Jan	368.8	355.4	-4%
Feb	371.6	356.2	-4%
Mar	369.5	358.5	-3%
Apr	367.1	355.9	-3%
May	359.6	354.8	-1%
Jun	352.4	353.8	0%
Jul	353.6	353.5	0%
Aug	354.8	352.9	-1%
Sep	354	349.7	-1%
Oct	354.5	345.4	-3%
Nov	354.4	340	-4%
Dec	356.9	339.4	-5%
Exchange Rate	688.8	Local Currency/US $	
Date of Quote	12/30/2003	MM/DD/YYYY	